

2019 Multifamily Housing Program FAQ's



**Note: Questions appear as submitted*

Updated: 8/15/19

1	Q. I am just checking on the status of the upcoming MHP NOFA since the website states the application will be due in late July/early August. I have signed up for the emailing list but wanted to check in with you directly.	A. NOFA was published June 19, 2019. Applications for the MHP program are due by COB August 20, 2019.
2	Q. May I please be added to HCD's distribution list for grant funding?	A. Please visit our website at http://www.hcd.ca.gov . There you can sign up for any of the programs you may be interested in. By checking the boxes for any of the programs you can receive any communications that are sent out.
3	Q. I am trying to find out if there is a contact for The MHP application inquiries, or an email to reach someone as I have a few questions I need to ask?	A. Please submit your questions to the MHP inbox at MHP@hcd.ca.gov .
4	Q. It is possible to obtain a list of Awards from the 2015 MHP NOFA round? I noticed there was an excel file posted on the MHP website for the 2013 NOFA, but not for the 2015 NOFA.	A. Unfortunately that list is not currently available.
5	Q. We are privately funded Affordable Rental Housing providers. We'd like to expand, but we need public funding at better terms in order to manage keeping costs and rents down. Does this event teach businesses like us how to complete the application to request funding for new builds and/or rehabs?	A. The MHP program is one that started several years ago. The workshops typically review what's new and any changes to the NOFA from previous rounds. We typically do not cover specifics on how to complete an application or anything that might be specific to a potential project. I would recommend that you partner with a developer with experience in this area or connect with a consultant that can assist you with this process.
6	Q. Integration Plan - Could you please clarify what this item is?	A. On the integration plan, the citation is found in the Guidelines Section 7302(g). It states that for Special Needs and Supportive Housing Projects, to be eligible, it must demonstrate integration of targeted disabled populations with the general public by integrating Assisted Units restricted to disabled persons with other units.
7	Q. 9h. Spon1 Leg Letter - I believe this item should be "8h". Please confirm if I should submit this item under "9h" or "8h"	A. On the naming of the section, please go ahead and use 8h for this and for the tab in your application binder 5. Thank you for pointing this out.

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8	Q. I am unable to locate the application checklist on the website, within the NOFA Guidelines or this memorandum. Will you be posting this document, or can you please send to me directly?	A. The Checklist can be found within the Supplemental Application, listed as one of the tabs, Checklist. The link to our the MHP page on our website is: http://www.hcd.ca.gov/grants-funding/active-funding/mhp.shtml . When you open the Supplemental Application, the Checklist is the third tab from left.
9	Q. If a project hasn't commenced by the application due date but begins construction prior to award announcements, does it still meet this threshold requirement?	A. Construction can start prior to the award date. The requirement is that construction cannot have started as of the application date.
10	Q. Once a project is notified that an award will be issued, is there a max number of days that the project then has to pull building permits and start construction?	A. There is no maximum on the number of days to pull permits or start construction. There is a restriction on not starting any construction prior to the date of the application.
11	Q. By "developed with Urban Uses" as it appears in this Section, does this mean that the adjoining parcels of a site must be both zoned for Urban Uses and improved with structures/facilities located on them? Is any consideration for points given to a site adjoined by a parcel zoned for an Urban Use that previously had improvements on it that have since been demolished?	A. The application must demonstrate it meets the requirement set forth in Section 7320 (b)(6)(A) in order to be awarded points. Sites with previous structures do count. See Section 7320(b)(6)(A)(i)(a).
12	Q. I noticed that the Supplemental Application includes an upload request for a letter from the applicant notifying the local legislative body of their application. I don't see this requirement anywhere in the NOFA, guidelines, or UMRs. Can you answer a few questions for me?	A. This is a misprint. The letter to the Local Legislative body is not required.
13	Q. The application asks for a Lead Service Provider Contract, Agreement, or Letter of Intent if it is a non-sponsor provider. If the sponsor is also the Lead Service Provider do you need an MOU or some other type of contract between the LSP/Sponsor and the Borrower? If the project has Article 34 authority, established through a letter allocating a specific number of units of Article 34 authority from the local jurisdiction do we also need a legal opinion regarding Article 34?	A. We will need a contract even if the Sponsor is. This the LSP. This will help determine roles, responsibilities and expectations. If the project has Article XXXIV Authority, a letter granting authority from the jurisdiction that shows the date of the vote or referendum, the number of total units allocated, the authority in units allocated to this project and the balance of units within the jurisdiction if the project goes forward. If the allocation does not include all of the required information, then the legal opinion letter will be required.

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14	Q. Since we are applying as a Large Family project, do we need to complete the Supportive Services Costs sheet in the Universal App. and sheets 82 through 84 in the supplemental application?	A. Sometimes a project can be a combination of project types. All of the tabs that will need to be completed will unhide with the project type that is checked.
15	Q. Integration of Special Needs and Supportive Housing (Article 7302 (g)). Is a project that is 100% special needs (homeless) with 49% of the units homeless with mental illness qualify as eligible under this reg?	A. For Special Needs and Supportive Housing, an integration plan is needed. Based on what you describe, your project appears to be Special Needs and will need an Integration Plan.
16	Q. Borrower Org Docs. Do we need to form the LP or can we form at a later date?	A. The LP can be formed later, however, we are highly recommending that this be formed as early as possible. We will be reviewing Organizational Documents (Org Docs) in the early part of the process toward the goal of having a Standard Agreements executed 90 days award. Forming an LP may take time. This may affect the timeline for a Standard Agreement.
17	Q. Is a relocation plan required as part of the MHP application submittal?	A. The best way for you to find out is to consult with a relocation specialist. However, where relocation is required, then a relocation plan must be submitted, and the associated expenses must be included. If no relocation is required, an opinion of why relocation is not required must be submitted.
18	Q. Is an appraisal required for all MHP applications?	A. An appraisal is required if the value of the land will be used in the Development Budget. Appraisal must support that value of the land.
19	Q. Is a Phase 1/11 Environmental Assessment required for all MHP applications?	A. Phase I report is required. If the report recommends a Phase II, then that must be submitted as well.
20	Q. Are there guidelines available for preparation of the mold report required for acquisition and rehabilitation projects?	A. A Mold professional knows the standards to follow.
21	Q. For the Appraisal is it required to be within a certain time frame of the application?	A. There is no specific timeframe for the appraisal. However, it must support the value of the property/land that you are submitting with your application, and budgets.

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22	Q. For the Lead, Mold, and Asbestos Reports (41 to 43), are they required if there is demolition of existing structures for new construction but no remodeling?	A. The Lead, Mold, and Asbestos reports are required for rehabilitation projects. The Lead and Asbestos is for structures built prior to 1978.
23	Q. The L.P.'s for both project have not been formed yet. Given that this is the case, would it be acceptable for us to use the first attached template/word document?	A. There are four different templates on our Website. You can choose the appropriate one for you. The key template for purposes of threshold is the Authorization to Apply.
24	Q. What should we list for the "(Loan No. _ -MHP-)" section?	A. The loan number is assigned at time of Awards. You don't need to worry about that for now.
25	Q. I am looking at the MHP Resolution that is referenced as an attachment for the application. The wording of the resolution assumes that the MHP funding has already been committed. Is there another format ?	A. There are different resolutions posted in our website for your review. They are found in our website and this is the link to access them: http://www.hcd.ca.gov/grants-funding/active-funding/mhp.shtml . They are found under the section Current NOFA, and the key template for purposes of threshold is the Authorization to Apply.
26	Q. Does Section 7320(b)(6)(A)(ii) only apply to new construction projects?	A. It does not apply only to new construction.
27	Q. For the purposes of Section 7320(b)(6)(A)(ii), how is "Rural Area" defined?	A. On section NOFA Section (II)(E)(1), there is a link to the TCAC website describing Rural and Non-Rural areas. That is what is used for this NOFA.
28	Q. For leveraging, we know Deferred dev fee is excluded. But GP equity is included, right?	A. This is correct.
29	Q. For readiness, having all deferred payment financing refers to the development sources, and Sec 8 does not need to be committed in order to show it in the application, right?	A. The commitment letter for PBV is not required for scoring nor for the budget.
30	Q. Regarding Section 7230(b)(4) (Leverage of Other funds), do general partner contributions count as leverage? Does non-priority deferred fee count as leverage?	A. No. See page 30 Section 4(B) of the Guidelines.
31	Q. Can units that are "restricted" under a different program (e.g. NPLH), but not assisted under MHP, make the project eligible for these points?	A. Yes. Units restricted under a different program (like NPLH) can make the project eligible for these points.

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32	Q. How will the 18.3% senior set aside be apportioned across the state?	A. The 18.3% set aside for senior will be taken by using the initial self-scores. Those senior projects scoring the highest will be placed in the set aside pool until the 18.3% is met. The balance of the projects who did not self-score high enough will then go into the competitive overall pool.
33	Q. Are acq/rehab projects eligible for the points By restricting 10% of units that become available to Homeless households? Or, do these units need to be vacant to qualify? Can units that are "restricted" under a different program (e.g. NPLH), but not assisted under MHP, make the project eligible for these points?	A. The requirement needs to be met at the time of permanent closing. At that time, 10% of the units need to be restricted to Homeless. (b) Yes.
34	Q. Is a supportive services plan required for projects electing to restrict 10% of the Restricted Units under the MHP Regulatory Agreement for occupancy by Homeless households with vacancies referred by the coordinated entry system per section 7320.(b)(2)(C) of the MHP Guidelines?	A. A supportive services plan is only required for the Supportive Housing and Special Needs project types and for projects of any project type seeking the higher loan limit for Supportive Housing units. Units qualifying to receive local needs points under 7320(b)(2)(C) for setting aside 10% of the units for Homeless are not necessarily Supportive Housing units. Thus, if you have a Large Family new construction project that is providing 10% Homeless units for local needs points, you would not need to submit the documents required under the Special Needs or Supportive Housing type unless seeking the higher per-unit loan limit for Supportive Housing units.
35	Q. In the supplemental app, Tab E appears to assign 0 points to projects with more than 35% of units at 30% AMI. Our client has 50% of units at 30% AMI. How would you suggest they complete this section?	A. This is being corrected. We expect this to be posted by COB today, Monday July 8, 2019.
36	Q. How will the 18.3% senior set aside be apportioned across the state?	A. The 18.3% set aside for senior will be taken by using the initial self-scores. Those senior projects scoring the highest will be placed in the set aside pool until the 18.3% is met. The balance of the projects who did not self-score high enough will then go into the competitive overall pool. Projects awarded in the senior set-aside will count towards the geographic distribution targets.

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37	Q. Regarding Section 7230(b)(4) (Leverage of other funds), do general partner contributions count as leverage? Does non-priority deferred fee count as leverage?	A. No. See page 30 Section 4(B) of the Guidelines.
38	Q. Are acq/rehab projects eligible for the points by restricting 10% of units that become available to Homeless households? Or, do these units need to be vacant to qualify?	A. The requirement needs to be met at the time of permanent closing. At that time, 10% of the units need to be restricted to Homeless. In existing projects units do not need to be vacant if they have been reserved for homeless households under an existing regulatory agreement and are occupied by households who qualified as homeless upon entry.
39	Q. Can an applicant submit 2 concurrent MHP applications for a project: 1) an application as a hybrid project and 2) an application as a non-hybrid project. If the hybrid project receives an MHP award, can the applicant withdraw the non-hybrid project application (or vice versa)?	A. Only one application per project may be submitted.
40	Q. If a project has an award letter for another HCD funding source can that be used as part of their leverage? Or does HCD disallow using other HCD programs in the leverage calculation?	A. Yes, award letter from another HCD program can be used as leverage.
41	Q. Does the tax-exempt construction loan (4% tax credits) require a commitment letter from a lender?	A. A tax-exempt construction loan commitment letter is not required in order to obtain Project Readiness points for enforceable financing commitments.
42	Q. Is a syndication letter required for the tax credits?	A. A letter from an equity investor is not required to provide evidence of equity from 4% tax credits.
43	Q. HCD staff noted that the limit on the amount of builder overhead, profit, and general requirements for MHP do not follow TCAC convention. Later in the webinar, HCD staff clarified that the limit on the amount of builder overhead, profit, and general requirements do follow TCAC convention.	A. Per UMR section 8311, builder overhead, profit, and general requirements follow the same methodology as TCAC as described in CCR Title 4, Section 10327.
44	Q. What are the allowable dates for appraisals?	A. There is no specific timeframe for the appraisal. However, it must support the value of the property/land that you are submitting with your application, and budgets.

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45	<p>Q. During the MHP webinar, HCD staff reviewed appraisal requirements under certain circumstances as described on page 89 of the MHP PowerPoint. Additional detail on appraisal requirements is necessary. Please clarify:</p> <p>Under what circumstances are appraisals required?</p>	<p>A. Except as noted below, Appraisals are required if applicants are claiming a land and/or building value in the development budget or for leverage credit. Applicants not claiming land and/or building value in the development budget or for leverage credit, are not required to submit an appraisal. A New Construction project with a third-party purchase contract with an unrelated third party is not required to submit an appraisal.</p>
46	<p>Q. Page 98 of the MHP PowerPoint presentation states that 50% of residual receipts go to the Department. During the webinar, HCD staff clarified that the 50% portion of residual receipts that go to the Department are in reality shared between HCD and other soft lenders.</p>	<p>A. Per UMR section 8314, if the terms of other public agencies' financing also require payments from remaining cash flow, the Department may agree to share what would otherwise be its 50% share of available cash flow with the public agencies in amounts proportional to the agencies' respective assistance amounts.</p>
47	<p>Q. Page 93 of the MHP PowerPoint presentation states that a transition reserve in the amount needed to cover one year after the subsidy contract expires is required on projects with project-based rent subsidies.</p>	<p>A. HCD will calculate the transition reserve based on the amount needed to achieve breakeven operations for one year following the expiration of a rent subsidy contract. HCD will use a 2.0% annual discount rate to calculate the initial amount of the transition reserve. The transition reserve may be capitalized or funded from annual project cash flow to be approved by HCD.</p>
48	<p>Q. Page 58 of the MHP PowerPoint presentation states that ground leases and ENAs are acceptable forms of site control. During the webinar, HCD implied that an ENA is an acceptable form of site control if the MHP applicant is purchasing the site.</p>	<p>A. An ENA must state right to negotiate for acquisition and must identify the main terms of agreement in order to be acceptable.</p>
49	<p>Q. 9% pending applications: At the MHP 7/18/19 workshop in Oakland, a CHPC staff asked if a sponsor could apply to MHP if they have a pending 9% application that was submitted in July 2019 TCAC Round 2. HCD staff responded that the sponsor would need to pull the pending 9% application in order to apply.</p>	<p>A. Per Mark Stiver's 5/20/19 email to Richard Mandel, there is no current prohibition against a sponsor submitting an MHP application while they have a pending 9% application; projects that receive a 9% award must withdraw their MHP applications immediately.</p>

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50	Q. The checklist in the MHP Supplemental Application implies that Phase 1 and Phase 2 environmental studies are required to be submitted with an MHP application.	A. Phase I is required at the time of application and if it recommends a Phase II, then this too is required at time of application.
51	Q. If we have a family project that is not located in a high resource area that has some supportive housing units (for points purposes) do we use the supportive housing loan limit table for those supportive housing units and the "other restricted units" loan limits table for all of the other non-supportive housing units?	A. For any project type, units that meet the HCD definition of Supportive Housing (i.e., identify the population targeted, work with a Coordinated Entry System, include a Service Plan, and the budget must support the plan) may receive the per-unit loan amount for Supportive Housing units. The application must include the required documentation to demonstrate compliance with the Supportive Housing definition.
52	Q. Site control. The MHP application is being submitted by two non-profit co-sponsors collaborating as a joint venture. One of the co-sponsors has entered into a Disposition, Development and Loan Agreement (DDLA) with a City in connection with the disposition of the subject property to the non-profit co-sponsor. Does an executed DDLA with one co-sponsor, in the case of a joint venture, constitute full site control for MHP purposes?	A. Yes, in the case of a joint venture, an executed DDLA with either co-sponsor (whether or not the co-sponsor has or will have effective control over the operation of the partnership) will constitute full site control for MHP purposes.
53	Q. The MHP Document Checklist includes "Item 20 – Operating Expense Comparable". Where will I find text that identifies the specifics of this request?	A. Refer to the Supplemental Application, the 'Project Requirements' tab lists the documentation required to submit as two years audited statements for a minimum of 3 comparable projects in the same market area. The comparables must be of similar unit count, building type, amenity level and tenant population (i.e., senior or family) and should be from affordable (TCAC or similarly restricted) housing projects.
54	Q. Is an Opex Comparison required for a New Construction project? Also, some of the cells on the Supplemental App seem to incorrectly shade red....ex. Article 34.	A. Operating Expense Comparisons are needed to support and explain costs that are not reasonable and excessive. See the UMR's §8310(c) and the supplemental application under project requirements tab. Article 34 does turn red because additional documentation is required.

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55	Q. If an item on the checklist is not a threshold requirement, are we not required to include it in our application? Is there any advantage to including a non-threshold item or disadvantage to not including one?	A. If an item on the checklist applies to your project you should be including it in your application. Anything that does not apply to your project place a piece of paper behind that tab stating it is not applicable, if in doubt please provide the item.
56	Q. I have a project which has a Phase 1 ESA report from June 2018 and subsequently, a Phase 2 ESA was conducted in November 2018. The Phase 2 report is within 12 months of the application date. Do I still need an updated Phase 1 report?	A. This would be acceptable since the Phase II report is within the 12 months.
57	Q. For our electronic submission, do you prefer everything is in one application folder, with attachments just labeled by number? Or, do you prefer subfolders that say "Sponsor Org Docs," "Borrower Org Docs," etc. I'm assuming the former, just documents by number, but please let me know either way. Likewise, for the binder submittal, just numbered tabs, or do we want the subheadings included, as well.	A. Please follow the checklist in the supplemental application. First row is how to organize the binder and third row is for the electronic copy.
58	Q. I wanted to confirm if we need an Article XXXIV legal opinion in addition to a letter from local authority? Or will an Article XXXIV letter from local authority alone suffice?	A. The information you are requesting is in the NOFA Section III. If your project has authority you need to provide the allocation letter with the listed required criteria. If your project is exempt, you would need to provide the legal opinion.
59	Q. A follow up on the Certificate of Good Standing...does MHP have a timeframe that this certificate must be dated within? Please keep in mind it can take a little bit to get these certificates from the State.	A. We understand these letters take a while; please submit the letter you have with your application. We will require an updated one thirty days prior to Standard Agreement.
60	Q. MHP Supplemental Application - C- Local & Env Verification form tab contained in the MHP Supplemental Application specifies "(wet signature is required)" at the bottom of it – what exactly does this mean? That the local agency official must send back the actual hard copy of the wet-signed form to the sponsor through the USPS? Or is it OK for the official to send back a scanned PDF of the wet-signed form electronically via email?	A. The wet signature is required not a copy or scanned copy.

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61	Q. Can you clarify if the LSP should be the actual case management agency? Or could the LSP's experience working with case management partners count?	A. The LSP needs to have the experience themselves, not hired out to a case management partner. The LSP needs the three years experience per Guidelines 7302(f)(3).
62	Q. During the MHP workshop in Oakland, HCD folks talked about getting rid of item 8h in the checklist, which refers to the letter to the local legislative body. The latest version of the supplemental application still includes this item on the checklist. Is HCD intended to keep this item?	A. The letter to the local legislative body was a misprint, the correct item to submit is the certificate of good standing from the Secretary of State.
63	Q. Regarding development experience for points, on the form, it indicates that you need to provide proof of completion to substantiate the dates entered into the form. However, the checklist only provides 1 area for proof of completion, tab 32, which is under the "special needs project alternative scoring only" section. So where do we provide proof of completion if we're using the regular development ownership experience scoring?	A. Yes, please use tab 32 for proof of completion documentation. The checklist is missing the specific area for the development experience.
64	Q. How will MHP calculate transition reserves?	A. Page 93 of the MHP PowerPoint presentation states that a transition reserve in the amount needed to cover one year after the subsidy contract expires is required on projects with project-based rent subsidies. HCD will calculate the transition reserve based on the amount needed to achieve breakeven operations for one year following the expiration of a rent subsidy contract. HCD will use a 2.0% annual discount rate to calculate the initial amount of the transition reserve. The transition reserve may be capitalized or funded from annual project cash flow to be approved by HCD. In the case of a project that receives an automatic renewal of a rent subsidy contract, the transition reserve will be the amount needed to achieve breakeven operations for one year following the expiration of the initial rent subsidy contract.

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65	<p>Q. I am writing in hopes that you might be able to confirm the MHP guidelines and scoring requirements around providing commitment letters for financing. I received an email from a client indicating that HCD had mentioned that they need to include a permanent loan commitment letter from a bank in their application. However, based the MHP guidelines and scoring, a perm loan commitment letter should not be required because:</p> <ul style="list-style-type: none"> • The only reference to “permanent funding” within the Guidelines is for points under Leverage (7320(b)(4)), and commitments aren’t required for those points • For points under Project Readiness (7320(b)(5)), it is very clear that only commitments for “construction financing” are required, not permanent financing 	<p>A. In order to score readiness points under 7320(b)(4)(A), enforceable commitment letters are required for all construction financing except tax-exempt bonds, tax credits, and funding to be provided by another Department program awarded prior to final rating and ranking for the MHP application. In order to score readiness points under 7320(b)(4)(D), enforceable commitment letters are required for all deferred-payment financing, grants and subsidies, excluding tax credits and deferred-payment financing, grant funds and subsidies from other Department programs that will be awarded prior to final rating and ranking for the MHP application.</p>
66	<p>Q. I hear you told some MHP applicants that for projects using state credits with their 4% federal credits, they could assume the new state credit program regs will allow a 30% credit calc instead of the current 13% calc, and therefore could they could calc tax credit equity that counts as committed funds for MHP using that 30%. Is that true? I don’t see anything about it in FAQs, so there might be some confusion among applicants. Since there are not yet even draft regs out for the new state tax credit program, we had previously been advising clients that they could not make those assumptions.</p>	<p>A. As long as the new state credits for 4% projects are over-the-counter (i.e., probably only for 2020) and the project meets the criteria for the over-the-counter state credits (i.e., new construction), we will consider the equity to be a committed source like the 4% credits themselves, even without a TCAC reservation.</p> <p>It was implied but probably should be expressly added to the response that we will allow applicants to assume receipt of the 30% state credits if they are new construction projects. I am hereby asking Mauro to include this in the next update to the FAQs. If the situation changes with TCAC we may revisit this response for future rounds.</p>